

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION

1775 Duke Street, Alexandria, VA 22314

DATE: June 2015

LETTER NO: 15-CU-05

TO: Federally Insured Credit Unions

SUBJ: Standards for Assessing Diversity Policies and Practices

ENCL: (1) Final Interagency Policy Statement Establishing Joint
Standards for Assessing the Diversity Policies and Practices of
Entities Regulated by the Agencies

(2) Voluntary, Sample Credit Union Self-Assessment Checklist

Dear Board of Directors and Chief Executive Officer:

As required by Section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the NCUA Board has approved a final interagency policy statement to establish standards for assessing the diversity policies and practices of federally insured credit unions.

This policy statement is *not* a new rule or regulation. It does *not* create any legal compliance obligations; implementation or use of the diversity standards is completely *voluntary*. NCUA will *not* incorporate the review of credit union diversity policies and practices in our examination and supervision program.

However, especially if your credit union has at least 100 employees, you and your human resources officials are encouraged, where applicable, to review the enclosed interagency policy statement detailing best practices for advancing workforce and supplier diversity.

Each year, you will have an opportunity to conduct a voluntary self-assessment of your credit union's diversity initiatives. A voluntary, sample Self-Assessment Checklist is enclosed with this letter.

In accordance with Paperwork Reduction Act requirements, the effective date for collection of information from these voluntary submissions will be announced in the *Federal Register* following approval from the U.S. Office of Management and Budget (OMB).

NCUA will aggregate credit unions' self-assessment data anonymously, then submit it as part of the annual report to Congress from NCUA's Office of Minority and Women Inclusion (OMWI).

SCOPE OF APPLICATION

The enclosed diversity standards are not a “one-size-fits-all” approach, but a flexible listing of leading diversity practices. Each credit union may use the standards in a manner appropriate to its unique characteristics.

When developing the diversity standards, agencies focused primarily on entities with more than 100 employees.¹ Credit unions and banks with more than 100 employees are usually required to file an EEO-1 Report on workforce diversity annually.²

Nearly ten percent (619) of all federally insured credit unions currently have 100 or more employees. These 619 credit unions employ 68 percent of all employees working in all federally insured credit unions. NCUA Call Reports show that 64 percent of the 619 credit unions required to file the EEO-1 Report also self-report having a diversity program in place.

NCUA understands that credit unions with a small number of employees, or located in rural areas, face different diversity challenges compared to larger regulated entities, or those located in more diverse urban areas.

DEFINITION OF DIVERSITY

The interagency policy statement defines diversity as minorities and women, consistent with Section 342(g)(3) of the Dodd-Frank Act. Minorities are defined as Black Americans, Native Americans, Hispanic Americans, and Asian Americans.

In addition, the policy statement provides flexibility for your credit union to establish its own broader definitions for diversity. Broader definitions may be especially appropriate if your credit union is located in an area where there are limited minority populations. For example, broader definitions may include persons with disabilities, veterans, and lesbian/gay/bisexual/transgender individuals.

Per the intent of Section 342 of the Dodd-Frank Act, NCUA encourages credit unions, where feasible, to strive to accomplish a diverse workforce, consider diversity in contracting activities, and employ staff that reflect the diversity within their respective fields of membership.

¹ In addition to NCUA, the agencies include the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Bureau of Consumer Financial Protection, and the Securities and Exchange Commission.

² Private employers with 100 or more employees and federal contractors and first-tier subcontractors with 50 or more employees that have a contract or subcontract of \$50,000 or more, or serve as depository of Government funds in any amount, are required by Title VII of the Civil Rights Act of 1964 to collect data on employment diversity and file an EEO-1 Report with the Equal Employment Opportunity Commission (EEOC).

<http://www.eeoc.gov/employers/eeo1survey/2007instructions.cfm>.

BEST PRACTICES RECOMMENDED TO ASSESS DIVERSITY STANDARDS

The enclosed interagency policy statement details best practices for a credit union to voluntarily assess its diversity and inclusion policies and practices in five distinct areas. The focus of each area is summarized below, with more detailed information on each area contained in the enclosed interagency policy statement:

1. **Organizational Commitment to Diversity and Inclusion:** This set of diversity standards measures the credit union's overall, top-level commitment to diversity and inclusion in employment and contracting. The diversity standards also provide guidance on how to cultivate an environment that embraces diversity and inclusion throughout the organization.

These standards highlight the importance of the role and commitment of senior leadership in promoting diversity and inclusion throughout the organization.

2. **Workforce Profile and Employment Practices:** This set of diversity standards illustrates efforts for promoting the fair inclusion of minorities and women in the applicant pool for vacancies within the workforce at all levels. Consistent with existing EEOC guidelines, all credit unions must ensure equal employment opportunities for all employees and applicants for employment, and must not engage in unlawful discrimination based on gender, race, and ethnicity.

The diversity standards highlight the use of analytical tools, including metrics, to measure and track the level of inclusiveness within the workforce. The use of analytical tools neither encourages nor requires the unlawful use of quotas, classifications, or preferences for personnel actions. You may expand your outreach to provide a diverse applicant pool for vacancies, but still hire the most qualified person for each position.

3. **Procurement and Business Practices – Supplier Diversity:** This set of diversity standards illustrates efforts for promoting the fair inclusion of minority- and women-owned businesses in the participation of contracting opportunities. It encourages credit unions to provide an avenue for qualified minority- and women-owned businesses to bid on contracts meeting certain criteria as determined and established by the credit union (e.g., bidding for all contracts greater than \$10,000).

These standards also highlight the use of metrics for measuring and tracking the level of minority- and women-owned business inclusiveness in contracting opportunities. Building a Supplier Diversity Program can be a challenge and takes time.

4. **Practices to Promote Transparency of Organizational Diversity and Inclusion:** This set of diversity standards provides best practice examples for how credit unions can appropriately communicate information about their diversity, inclusion efforts, and progress made in a transparent manner through normal business methods. These methods may include displaying the results of a credit union's diversity assessment, diversity metrics or profiles, and diversity efforts on its website, or within its written annual report

to members, or both. Examples of such transparency from NCUA's diversity and inclusion practices can be found in our [OMWI Congressional Reports](#).

Transparency means providing insight into your credit union's considerations, but transparency does *not* require you to share confidential and proprietary information. Transparency is not just metrics; it's about telling your credit union's full story or journey to embrace or enhance diversity and inclusion through your efforts. Examples of information to share for transparency include:

- Detailed information on diversity and inclusion efforts;
- Demographic information on workforce composition;
- Demographic information on board members and other officials; and
- Sponsorships or partnerships with diverse organizations.

You may consider publishing information about procurement activities and about how to do business with your credit union. Examples of NCUA's supplier diversity transparency can be found on our [OMWI's Supplier Diversity webpage](#).

5. **Entities' Self-Assessment:** This final set of diversity standards provides guidance on performing a self-assessment at your credit union, and steps to take after the self-assessment is completed. In general, you may perform the self-assessment by comparing your existing diversity and inclusion policies and practices against the above diversity standards; summarizing the information; communicating that information through normal business methods; and voluntarily providing such information to NCUA annually.

HOW NCUA WILL COLLECT AND REPORT CREDIT UNION DIVERSITY SELF-ASSESSMENTS

NCUA will welcome these voluntary submissions after the effective date for the collection of information. There will be an interagency notice in the *Federal Register* upon OMB approval of the collection of information.

Any federally insured credit union, including those chartered by a state regulator, may voluntarily submit a self-assessment by mail to OMWI³ or by e-mail to OMWI@mail@ncua.gov.

NCUA will *not* publish diversity information that identifies any particular credit union or individual, unless a credit union consents in writing to such use.

NCUA plans to use such information in the aggregate for the purpose of monitoring progress and trends of the credit union system's diversity and inclusion activities in employment and contracting, and to highlight successful diversity policies and practices, primarily in NCUA's annual OMWI Congressional Report. Examples of NCUA's aggregated disclosures are found in past [OMWI Congressional Reports](#).

³ Office of Minority and Women Inclusion, National Credit Union Administration, 1775 Duke St., Alexandria, VA 22314

In summary, the Dodd-Frank Act encourages, but does not require, financial depository institutions including credit unions with larger employee bases (*e.g.*, over 100 employees) to consider adopting and incorporating these interagency diversity standards into ongoing business and hiring practices.

It has been demonstrated that diversity best practices are also good business practices. Hiring qualified staff and vendors that reflect the diversity of your field of membership enriches the employee experience, enhances output, and extends member outreach. If you are not already engaged in such activities, you might want to consider the appropriateness of these diversity standards for your credit union.

This voluntary collection will *not* be part of any NCUA examination process. Likewise, the state regulator for federally insured, state-chartered credit unions will *not* be involved with the collection or review of diversity assessment reports.

If you have any questions, please contact NCUA's OMWI at (703) 518-1650 or by email at OMWImail@ncua.gov.

Sincerely,

/s/

Debbie Matz
Chairman